

MARBELLA INSIGHT

2018

MARK HARVEY, HEAD OF KNIGHT FRANK'S EUROPEAN SALES TEAM, SHARES HIS KNOWLEDGE AND INSIGHTS ON MARBELLA'S PRIME RESIDENTIAL MARKET.

HOW DOES THE MARKET DIFFER FROM 12 MONTHS AGO?

The appetite amongst buyers has strengthened over the last 12 months, particularly at the prime and super-prime end of the market above €4m. Marbella's favoured prime areas such as the beachfront, Golden Mile and La Zagaleta retain their pre-eminence but new emerging prime markets are evident in La Alquería, Atalaya, El Paraíso and the New Golden Mile.

A lack of buildable land in Marbella will continue to put pressure on prices, we saw some prime areas registering double-digit annual growth in 2017.

HOW HAS THE DEVELOPMENT MARKET CHANGED?

The repercussions from the decision to annul the 2010 Town Plan continues to influence the town's new development market with developers looking to neighbouring municipalities such as Estepona, Ojén and Benahavis, rather than within Marbella's town boundary. Marbella's Mayor has pledged to address the current planning bottleneck and reduce the issuing of building licenses to less than nine months.

Estepona saw sales increase 26% in 2017 year-on-year due to its more affordable price tag but also due to significant regeneration in the town.

Some off-plan developments are registering strong sales rates including Los Olivos in Nueva Andalucía and C8ncept in Lomas del Marbella Club, a key factor is the improved quality of construction that we are seeing across the region as well as the prioritising of eco credentials. Developers now understand the importance of delivering low-density projects with carefully planned communal facilities and the latest technology.

WHO'S BUYING?

Despite the availability of good finance deals and historically low interest rates, around 70% of our purchasers are cash buyers. Northern European buyers (Scandinavian, Benelux and German) are a key component of demand but the rise of the French buyer has been the most notable trend in recent years.

Middle Eastern buyers are still evident and are likely to strengthen as direct flights to Malaga launch this year from Doha, Riyadh and Jeddah.

WHAT IMPACT WILL BREXIT HAVE?

The latest data from Spain's notaries suggests British demand is far from wavering in the run up to the UK's departure from the European Union. In the second half of 2017, there were 49,553 sales to foreign buyers across Spain and the UK had the largest market share of all overseas buyers – 14.3%. This figure rises to 26% when analysing British demand in Andalucía according to the Spanish Land Registry.

Assuming the withdrawal treaty is agreed, both sides have committed to a 21-month transition period which would postpone the full effects of Brexit until the end of 2020, providing expats with time to secure residency and lock in existing EU benefits.

IS MARBELLA POPULAR WITH RESIDENTIAL INVESTORS?

Demand for both holiday lets and long-term rentals is strong with gross rental yields of 3%-4% achievable. Unlike Barcelona and Palma de Mallorca, Marbella has not imposed any limit on the length of holiday rentals via host platforms such as Airbnb and HomeAway.

The latest tourism figures show the number of visitors arriving in Spain rose 9% year-on-year to 82 million tourists in 2017. British tourists remained Spain's largest group of visitor by nationality, accounting for 18 million tourists, up 7% from a year earlier.

WHAT IS YOUR OUTLOOK FOR THE MARKET?

The commercial property market in Marbella provides a valuable indicator as to the state of the town's economy and future residential demand. There is a severe scarcity of office and retail units to buy or let as supply struggles to keep pace with commercial demand, which is a positive signal.

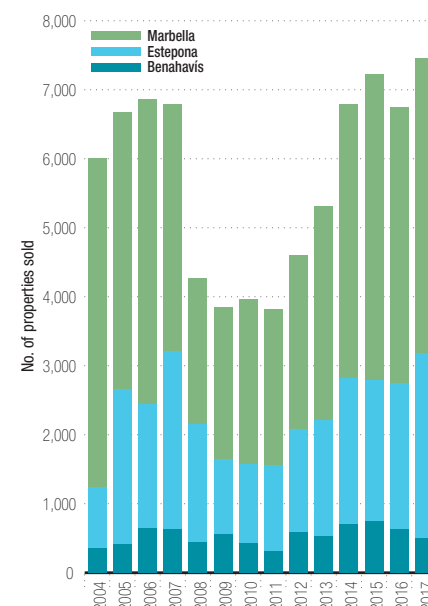
New investment in the form of The Nobu Hotel and the widely anticipated W Hotel along with a number of other upmarket branded resorts confirm the appetite amongst high-end tourists for the area, many increasingly seeing the area as a viable winter retreat.



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FIGURE 1
SALES INCREASED 11% IN 2017

Sales volumes by municipality

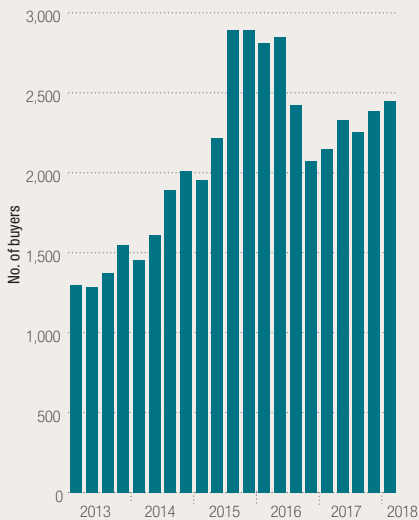


Source: Ministerio de Fomento

MARKET INTELLIGENCE

Knight Frank's Research team take the pulse of Marbella's prime residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

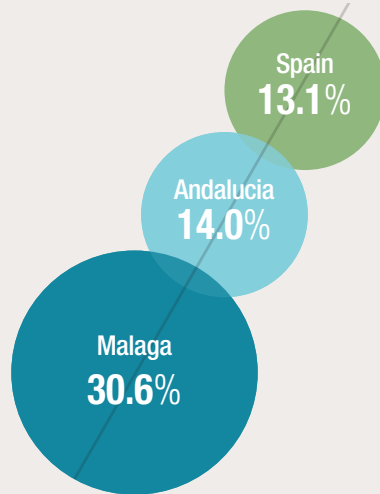
FIGURE 2
BRITISH BUYERS NOT RETREATING



Source: Consejo General del Notariado

FIGURE 3
FOREIGN BUYERS REMAIN INFLUENTIAL

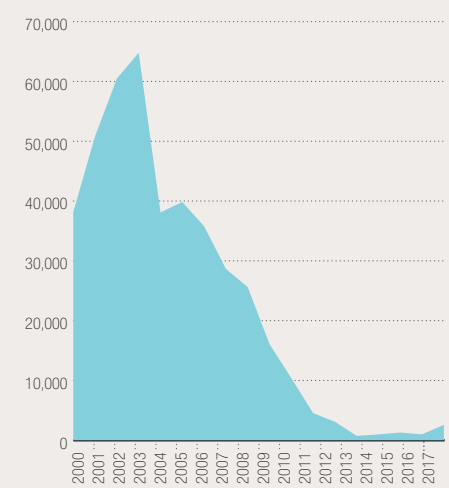
Foreign buyers as a % of all sales, Q1 2018



Source: Colegio de Registradores de la Propiedad

FIGURE 4
NO RISK OF OVERSUPPLY REOCCURRING

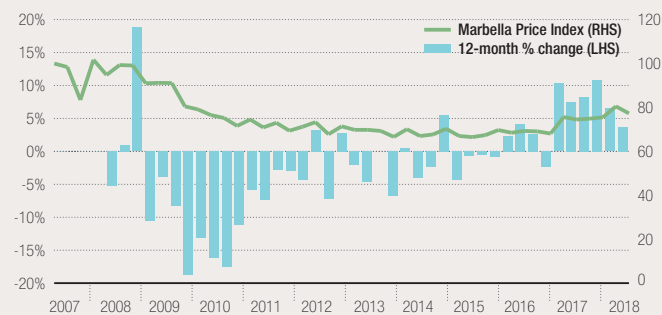
Malaga residential completions



Source: Ministerio de Fomento

FIGURE 5
PRICES 22% BELOW PREVIOUS PEAK IN 2007 BUT RISING

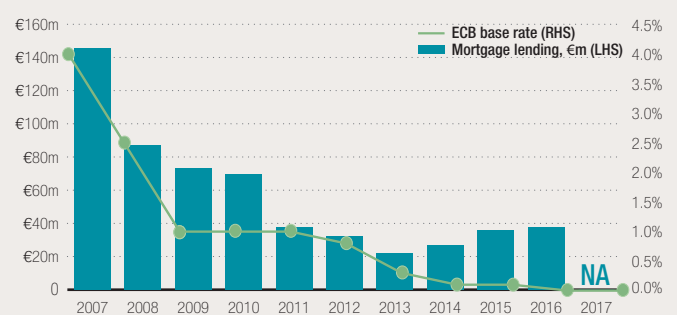
Indexed, 100 = Q1 2007



Source: Ministerio de Fomento

FIGURE 6
FIRMER GROUND – LOW RATES, RISING LENDING BUT STRICTER RULES

Spain: Gross residential lending (€m) vs. base rate (%)



Source: ECB, European Mortgage Federation

FIGURE 7 **THREE THINGS TO CONSIDER**



Value: Prime prices in Marbella compare favourably with key second home destinations in France, Switzerland and Italy



Development: The quality of new-build product has improved significantly



Access: A new railway station and the potential removal of the toll on the main motorway have been mooted



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